

MEETING SUMMARY NOTES

Mayor's Infrastructure Finance Committee

*October 22, 2002 Meeting
Mayor's Conference Room, 3:30 p.m.*

MEMBERS: Present – Russ Bayer, Carol Brown, Jon Carlson, Linda Crump, Jan Gauger, Brad Korell, Dan Marvin, Richard Meginnis, Jerry Schleich, Terry Werner, Otis Young, Larry Zink, Allan Abbott (non-voting). Absent – Bob Hampton

OTHERS: Bruce Bohrer, Kent Morgan (others may have been present but were noted at the time of the meeting.)

AGENDA ITEMS:

1. **Welcome – Jan Gauger, Committee Tri-Chair**
2. **Work Group Appointments**

A Work Group membership list proposed by the Committee Tri-Chairs had been emailed to the Committee prior to the meeting. Copies of the list were available at the meeting for those in attendance. The list of names for the three work groups was the focus of the Committee's discussion.

Carol Brown raised the question as to why there were several individuals proposed for membership on the Work Groups who are not residents of the City of Lincoln. The discussion centered on how these individuals might view various financing alternatives since they might not be personally affected. Their participation could also draw into question the findings and credibility of the overall process.

It was noted by other Committee members that these individuals did have a vested interest in Lincoln's infrastructure financing program by virtue of their business and other relationships within the community. It was generally agreed that staff should work with the Tri-Chairs and several other Committee members to resolve this matter prior to the first meeting of each Work Group.

A further question was brought up regarding Vice-Chairs for the Work Groups – specifically, should it be required that the Vice-Chair for each Work Group be a member of the Infrastructure Finance Committee? It was generally acknowledged that it would be preferable to have the Work Group Vice-Chairs be a Infrastructure Finance Committee member as only Committee members are to report Work Group findings back to the full Committee.

3. Meeting Protocol Discussion Draft

A “Meeting Protocol Discussion Draft” had been emailed to the Committee members in advance of the meeting. Several comments were made regarding the Discussion Draft.

The issue was raised regarding whether Committee members should be allowed to “audit” the meetings of Work Groups of which they are not a member. It was generally agreed that Committee members could attend Work Group meetings other than those to which they are assigned and can participate in the Work Group’s discussion; but such members cannot vote or otherwise participate in the decision making process (i.e., consensus finding) of that Work Group. Text to this effect will be added to the Meeting Protocol Discussion Draft.

Larry Zink suggested that the progress and activities of each Work Group be reported to the full Committee at all subsequent Committee meetings. There was general concurrence on the value of doing this to ensure that everyone is kept informed as to the work of each Group. Text to this effect will be added to the Meeting Protocol Discussion Draft.

The Committee next discussed how decisions should be reached by the full Committee. Various options were reviewed, included formal votes – ranging from votes on each decision point along the way to a single vote at the end of the process on a final set of recommendations – or the use of a more informal consensus approach in which the presiding Chair would indicate that the Committee had reached a common understanding on a particular matter. It was generally agreed that the “consensus approach” would be used during the upcoming Committee meetings. If the consensus approach seems to be working after several meetings, then it will be retained by the Committee throughout the process.

The final procedural item reviewed by the Committee concerned attendance. It was felt that regular attendance by Committee and Work Group members is essential to a successful study process. The Committee agreed to the standard contained in the Meeting Protocol Discussion Draft which allows the Tri-Chairs to remove a member if they miss five or more meetings. Dismissed members will not be replaced.

4. City-County Comprehensive Plan

Steve Henrichsen from the City-County Planning Department presented an overview of the recently adopted *City-County Comprehensive Plan*. He described the Plan’s overall urban growth strategy including the Plan’s growth tiers and phasing plan. Mr. Henrichsen also reviewed the population growth projection upon which the Plan is based and the size of the area’s proposed for future urban expansion. He provided the Committee with a description of Plan’s overall the land use plan, the proposed 25 years road improvements package, and the relationship between the two elements. He also

discussed the City's capital improvements program and its role implementing the Plan's infrastructure recommendations.

The Committee then asked Mr. Henrichsen several brief questions regarding the Comprehensive Plan's development, the improvements envisioned by the Plan, and the relationship of the Plan to the infrastructure financing issues facing the Committee.

5. Proposed Impact Fees

Mr. Henrichsen then briefed the Committee on the proposed "Impact Fee Ordinance." He indicated that this Ordinance had just recently been passed by the City-County Planning Commission following several public hearings on the draft Ordinance. He noted that the draft Ordinance was being forwarded to the Lincoln City Council for their review and action. A public hearing on the Ordinance is scheduled for Monday, November 4, 2002, with possible City Council action on the Ordinance to occur on Monday, November 18, 2002.

Mr. Henrichsen outlined for the Committee the main elements of the proposed impact fee strategy. This includes a \$2,500 per dwelling unit fee beginning in year 2003, and then rising \$500 per year over the next five years, topping out at \$4,500 in year 2006. He described the various adjustments that were made to the initial draft Ordinance to reflect issues raised during the public discussions leading up to and including the Planning Commission hearings. This included the introduction of a greater number of benefit districts for the various impact fee categories, use of exemptions for low income housing, identification of an exclusion zone for the arterial street impact fee in the Downtown and Antelope Valley area, and the use of credits for prior infrastructure payments and facilities built as part of annexation agreements.

6. Capital Improvement Funding Gap

Staff from the City's Public Works and Utilities Department (PW&U) provided an overview of the projected capital improvements called for in the City's most recent Capital Improvements Program (CIP) and the projected funding available to construct these improvements. The presentation began with a brief statement from Allan Abbott concerning the events that have lead to the infrastructure financing situation the City faces today. He noted that this situation has resulted from a series of events, conditions, and policy practices. The City has long been concerned with the issue of infrastructure financing and began taking a series look at various options including impact fees as early as the mid-1980's. As the City experienced a strong period of growth in the 1990's, the funding of infrastructure needs failed to keep pace. Mr. Abbott discussed the use of the traditional pay-as-you-go funding approach, as well as the City's past use of both revenue and general obligation bonds, and the Federal, State and City revenue streams for road construction. The recent introduction of new and larger drainage basins as urban growth areas has also added to this complex financing picture.

Margaret Remmenga (PW&U) began her PowerPoint presentation with a review of a typical annual funding and expenditure profile for the City's water and wastewater systems. She indicated that on average, the water system collects and expends approximately \$29.7 million per year. Approximately \$24 million of this amount is in the form of "user fees" with "developer contributions" (\$1 million) and other miscellaneous sources providing the balance. "Operation and Maintenance" (O&M) expenditures – including water production, transmission, and distribution – account for about \$19 million dollars. This leaves about \$10 million annual for capital improvements to the water system.

For the wastewater system, Ms. Remmenga stated that annual revenues and expenditures average about \$24.6 million. User fees account for about \$18.6 million of this amount; with Utility Revenue Bonds/State Loans and Developer Contributions both contributing about \$3.0 million each. On the expenditure side, O&M accounts on average for about \$11.5 million, with capital improvement expenditures at \$13.1 million, for a total of \$24.6 million in expenses.

Steve Masters (PW&U) then used the PowerPoint presentation to discussed the projected six year gap in funding for the water and wastewater systems. Relative to the Water system, Mr. Masters noted that there is a projected gap of about \$42.4 million between the projected revenues and the planned for projects in the City's CIP. A similar but smaller funding gap exists for wastewater – a total of \$19.4 million.

In total, a potential funding deficit of \$61.8 million exists for the two utilities over the next six years. Mr. Masters noted that this estimated gap was calculated from a growth scenario that preceded the final adopted Comprehensive Plan. A map illustrating the areas such capital improvements would serve was shown to the Committee. As the six year (CIP) program is but a small proportion of the Comp Plan's overall 25 year time horizon, many areas in the future growth perimeter of the City were not shown to have improvements provided to them in the near term.

Roger Figard (PW&U) then presented a PowerPoint review of the City's streets and highways funding. On average, the City receives and expends about \$30 million each year for street maintenance and improvements. This figure can vary depending upon other funds the City may receive for a particularly large project, but this figure does reflect an average year.

Of the \$30 million in revenues, about \$15 million are derived from State gas tax funds, \$8 million are from the City wheel tax, \$4 million comes from Urban Federal Aid, and \$3 million are from other miscellaneous sources. About half (\$15 million) of this amount is spent on capital projects, with \$7 million for street operations and maintenance, \$6 million for residential & arterial rehabilitation, and \$2 million for other.

Mr. Figard then showed projected street and highway revenues for the next 6 years. The wheel tax, gas tax, Urban Federal Aide, and other general revenue sources will result in an estimated \$180 million over the six years. Funds from other special sources (such as the Railroad Transportation Safety District, Train Miles Tax, bridge replacement, and other State funds) will bring in about \$45 million over the period. The addition of the present cash balance (\$24 million) brings the total dollars available over the next 6 years to approximately \$249 million.

The six year picture for road expenditures, according to Mr. Figard, foresees about \$42 million in maintenance, \$36 million in rehabilitation, and \$30 million in current cash commitments. This totals \$141 million over the next six years. Capital improvement projects shown in the present City CIP are estimated at \$255 million. This leaves a funding gap of approximately \$114 million - i.e., \$141 million in revenues minus \$255 million in project costs. (Mr. Figard noted that the \$114 million figure updates the \$90 million "gap" figure that has been discussed over the past several months.) When the funding needs for the South and East Beltways (\$114 million) are added into the \$144 million gap figure, the City's projected funding gap for roads over the next six years is estimated at \$228 million.

Following the presentation by Public Works and Utilities staff, the Committee discussed various aspects of the gap figures and their implications for the Committee's charged tasks. Questions were raised by the Committee in such areas as the adequacy of the monies set aside for maintenance of the existing streets, what it would take to "get caught up" in our road building program, and what would the funding gap look like if the City tried to build the arterial streets necessary to support growth in the Phase A area of Tier I?

7. "Key Assumptions" Follow Up Discussion

The Committee next discussed the five "Key Working Assumptions" contained in the Mayor's charge statement to the Committee. Various comments made by various members of the Committee included:

- ☐ The Comprehensive Plan should be used to set the parameters of the Committee's work. The Plan accommodates considerable new urban growth and the Committee's job is to respect that fact and attempt to plan the infrastructure to support the growth.
- ☐ The Committee should be able to look at all forms of public infrastructure, including schools, police, libraries, etc. It shouldn't be limited to utilities and streets. Also, consideration has to be given to the operating cost implications of capital facilities.

- ☐ The Committee needs to limit its view to those given in the charge statement. There just isn't enough time to review every aspect of capital facilities financing.
- ☐ Six years is too short a time frame to use for planning the financing of capital improvements. We need to take a longer range perspective -- look at a period of 12 years or more.
- ☐ \$62 million in utility costs plus \$114 million in road costs equal a total of \$176 million. That's about \$30 million per year that we need to find. With 225,000 residents, that's about \$130 per person per year.
- ☐ Don't need to solve this problem all at once, but we need to determine the "context" that will allow us to find a long term solution involving multiple funding sources.
- ☐ We need to have staff develop an analysis showing the infrastructure needed to serve the first phase of growth (i.e., Phase A of Tier I) represented in the Comp Plan.
- ☐ We should start with the numbers shown in the Comprehensive Plan, but when it gets down to the hard choices we may need to reconsider this "key working assumptions."
- ☐ The "key working assumptions" are a necessary beginning point. As we work through this process, things will sort themselves out.

At the conclusion of the Committee's discussion, there seemed to be a general consensus that the process needed to use the "key working assumptions" as presented in the Charge Statement. The potential for the Committee to revisit the assumptions later in the process was left open.

8. Future Committee Meeting Dates

The Committee set dates and start times for two future meetings: (1) Thursday, November 21, 2002, beginning at 4:00 p.m.; and (2) Thursday, December 19, 2002, beginning at 4:00 p.m. The meetings will be held in the County-City Building, with the room location to be determined.

9. Other Business

There were no "Other Business" items raised by Committee meetings.

10. Adjournment

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